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DD/A Registry
87-0489

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM:	EXTENSION	NO.
William F. Donnelly Deputy Director for Administration		DATE 10 March 1987

STAT

TO: (Officer designation, room number, and building)	DATE RECEIVED	DATE FORWARDED	OFFICER'S INITIALS	COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)
1. Comptroller				
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STAT

Enclosed is a copy of a letter I recently received from the State Department Comptroller. As you will see, they are going in for an $83,000,000 supplemental.

I have sent a copy of this material to the Office of Congressional Affairs and asked that they prepare letters to appropriate individuals on the Hill supporting the Department's need for a supplemental.

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William F. Donnelly

Attachment

30-6

FORM 610 USE PREVIOUS EDITIONS
1-70

★ U.S. Government Printing Office: 1985—494-834/49156

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United States Department of State

Comptroller

Washington, D.C. 20520

March 7, 1987

Dear Mr. Donnelly: Bill

This is to thank you for your offer to support the Department of State's 1987 supplemental package and 1988 request that now is pending approval by the Congress. As you are keenly aware, the Department is on the verge of a financial and budgetary crises in terms of its ability to effectively function as the President's principle agent in the conduct of foreign affairs and in support of the many Foreign Affairs agencies which rely upon our services to conduct their operations.

Because of reduced 1987 funding levels, the Department has drastically curtailed domestic and overseas support operations to ensure that overseas functions critical to our mission continue. In total, our 1987 funding level is $254 million less than the 1986 level. As a result of this reduced availability of resources, and uncontrollable external forces (i.e., security requirements and recent decline in the dollar), significant reductions have been implemented in order for the Department to stay within the 1987 funding level.

For example, a brief listing of reductions taken to date in the Salaries and Expenses appropriation include the following: reduced funding for communications and information systems initiatives and support ($32 million); curtailment of contractual services ($26 million); hiring of Americans and Foreign Service Nationals to less than attrition, cutting of part-time and temporary employment, and reduction in overtime ($19 million); and reduced travel, primarily Washington-based, and transportation costs ($10 million). Enclosed is a Congressional fact sheet which explains in greater detail our current funding situation.

Without the timely funding relief in 1987 and if we receive a 1988 mark at the 1987 appropriation level - in other words a freeze, the Department will have to take unprecedented, Draconian steps in order to operate under severe resource

Mr. William F. Donnelly
Deputy Director of Administration,
Central Intelligence Agency.

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constraints. Contingencies currently under consideration include: closing additional posts beyond the 14 posts already identified (perhaps as many as 50 to 70 posts); further cuts to information and communication system initiatives; reductions in personnel (RIFS or furloughs); cutting overseas compensation levels; and reducing support and services for other USG agencies overseas.

As you can discern from this letter, the Department is at a crossroads. Unless we are provided the resources necessary to carry out the Administration's foreign policy program, we will have to retrench to the point where we are no longer effective. Any support you and your agency can provide in enlightening the appropriate Congressional committees and members on our dilemma will be greatly appreciated.

Sincerely yours,

Roger

Roger B. Feldman

Enclosure:

Congressional fact sheet.

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Fact Sheet

1987 S&E Supplementals
Actions Taken Pending Enactment

($000)

Supplemental	Request	Covered
Fed. Emp. Ret. Sys.	$16,734	--
1987 Pay Act	6,900	$11,100
Ovs. Wage, Price, Exch. Rate	47,350	76,000
Inspections & Audits	3,500	4,000
Immigration Act	3,100	1,000
Conf. on Sec. & Cooperation in EUR	800	800
Australian Bicentennial	5,000	--
Total	83,384	92,900

NOTE: Pay Act and Wage, Price and Exchange Rate supplementals are less than actual requirements (-$28.7 million). The amount covered includes $12 million in actual 1987 net exchange rate losses as of January 30, 1987 (reprogramming letter reflected exchange rate losses of $6.7 million as of mid-January). If further exchange rate losses are realized, additional cuts will need to be made.

-- Types of cuts taken to cover costs pending enactment of the supplementals are as follows:

reduced funding for Communications and Information Systems initiatives and support ($32 million)

curtailment of contractual services ($26 million)

hiring of Americans and Foreign Service Nationals to less than attrition; cutting of part-time, intermittent and temporary employment; and reducing overtime ($19 million)

reduced travel, primarily Washington-based, and transportation ($10 million)

cuts in printing and supply services ($6 million)

NOTE: Given Congress has not approved our request to temporarily reallocate base DS funds ($5.2 million) to cover exchange rate losses, the following additional borrowings will have to be made:

FAIS ($1 million); American Salaries ($1.2 million); motor vehicles ($1 million); CIHS ($1 million); Terminal Equipment Replacement Program ($1 million).

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Fact Sheet

1987 S&E Supplementals

Supplementals Not Enacted

-- If the Supplementals are not enacted, then $60 million of the $93 million in cuts taken to cover wage/price, exchange rate losses, OIG, pay act, CA and CSCE which could have been offset would become permanent.

-- Because all costs have not been covered, the Department would have to take an additional $20 million in cuts to cover the contributions to the new retirement system, OIG and support for the new Immigration Bill.

-- Illustrative of the types of cuts which have to be made are:

- further cuts to information system initiatives
- reductions to central personnel and training
- general reduction to functional bureaus
- additional cuts in personnel compensation

-- The additional $20 million reduction would be extremely difficult to take given the Department's reduced flexibility to absorb cuts late in the fiscal year.

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Examples of Reduced Funding for Communications and Information Systems ($32 million)

-- $16 million for communications support and initiatives related to radio and terminal replacement, CHIS, TERPS, EPABX, and data lines.

-- $12 million for consular systems; Foreign Affairs Information System; mini-computer program; and bureau ADP equipment, training and software.

-- $4 million for post automated and word processing systems.

Examples of Reduced Funding for Contractual Services ($26 million)

-- $14 million in overseas contractual services related to post support. These reductions are primarily in the administrative services function: maintenance of equipment and buildings; custodial and gardening services; and vehicle maintenance.

-- $12 million for communications, financial and consular maintenance and technical support plus various domestic contractual services.

Examples of Reduced Funding for Personnel Compensation ($19 million)

-- American Salaries associated with lower hiring plan of 265 hires below attrition ($8 million).

-- Foreign National employment decrease of 450 and deferred wage increases ($5 million).

-- Domestic and overseas overtime ($4 million).

-- Part-time, intermittant and temporary employment ($2 million).

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Examples of Reduced Funding for Travel and Transportation ($10 million)

-- Washington-based travel ($5 million).

-- Field travel which primarily affects consular operations and the gathering of political, economic and other background information ($1 million).

-- Transportation decrease related to reduced equipment purchases in 1986 and 1987 ($4 million).

Examples of Reduced Funding for Printing and Supplies ($6 million)

-- Printing ($2 million)

-- Supplies ($4 million).

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